



Jim Doyle
Governor

Helene Nelson
Secretary

State of Wisconsin

Department of Health and Family Services

DIVISION OF HEALTH CARE FINANCING

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April 13, 2006

The Honorable Jim Doyle
Governor
115 East Capitol
Madison, WI 53702

Dear Governor Doyle:

I am pleased to present the report of the Pharmacy Reimbursement Commission to you.

It has been an honor and a privilege to serve as Chair of the Commission. I would like to thank each member of the Commission for their diligence and hard work to achieve the savings objectives you established. I am very pleased to report that the Commission has recommended savings totaling \$26.8 million. The Department is already well on its way to implement the majority of these savings. Secretary Nelson is separately considering the Commission's recommendations to add atypical antipsychotic medications to the Medicaid Preferred Drug List.

The total fiscal effect of the Commission's recommendations exceeds the savings you instructed the Department to obtain in your veto message so it will not be necessary to reduce payments to pharmacies to achieve your financial goal.

In addition to the cost management recommendations, the Commission also voted 8-3 to increase the dispensing fee for generic drugs to \$9.88 while decreasing the amounts paid for brand drugs. The combined effect of these recommendations would be to increase costs by \$11.9 million per year although their cost this biennium would be \$5.9 million because of the deferred effective date being recommended. Combined, the cost savings and reimbursement increases would fall short of the financial target you established.

The Commission was divided on the reimbursement recommendations and those opposed have prepared a minority report which is attached as well.

Secretary Nelson has directed Department staff to consider the reimbursement recommendations of the Commission as part of the biennial budget preparation.

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The Commissioners thank you for seeking alternatives to meet the financial targets you established for prescription drug savings. This approach will better serve the clients of the Medicaid program and the economy of the State of Wisconsin over the long terms.

Sincerely,

Mark B. Moody, Chairman
Pharmacy Reimbursement Commission

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Attachments

cc: Secretary Helene Nelson, DHFS